Total returns

At 31 May 2019	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Inception % p.a. (Mar 2008)
Ralton Dividend Builder	1.24	3.76	12.67	11.00	10.73	9.78	13.98	*12.23*	8.30
Income return	*0.64*	*1.41*	*2.84*	*5.48*	*4.90*	*4.80*	*4.85*	*4.99*	*5.07*
Growth return	*0.60*	*2.35*	*9.83*	*5.52*	*5.82*	*4.98*	*9.13*	*7.24*	*3.23*
S&P/ASX 300 Accum. Index	1.75	5.01	15.37	10.93	10.57	7.79	11.34	*9.94*	5.65
Difference	**-0.51**	**-1.26**	**-2.70**	**0.07**	**0.16**	**1.99**	**2.64**	*2.29*	**2.66**

Performance review

- The S&P/ASX 300 Accumulation Index returned 1.75% for the month of May, with Financials and Materials the top performing sectors and Consumer Staples and Energy the weakest performers for the period.
- The Ralton High Yield portfolio returned 1.24% for the month, underperforming the benchmark by 0.51%.
- For the month of May, being overweight Consumer Discretionary and Financials added relative value to the portfolio. The portfolio's overweight to Materials and underweight to Health Care were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Aristocrat Leisure	Overweight
Amcor	Overweight
ANZ Banking Group	Overweight

Aristocrat Leisure (ALL, +11.66%) – delivered a strong 1H19 result which saw a restoration of investor confidence in management during May. The key drivers of the result were continued strength in the core slots business, with growth in adjacent markets starting to gain traction. The market was looking for improvement in ALL's Digital business and the better than expected result saw renewed strength in the share price. Digital earnings have been a key area for concern and the 1H19 result revealed that recent investment is driving growth. Further, margins look to be sustainably higher than assumed. The result confirmed positive indications from surveys released during the prior quarter showing the company's gaming machine products continue to be industry leading and continue to take share from over geared competitors. Despite the recent strong performance, at the current valuation we feel the market is discounting the strong earnings outlook supported by multiple growth options within ALL's core slot operations, expansion into adjacent markets, and continued momentum in its Digital businesses. The US economic backdrop remains supportive as low interest rates and recent tax cuts continue to support investment and consumer spending.

Amcor (AMC, +2.81%) – the global packaging company, outperformed the market during the month as it continues to step through the final hurdles for the merger with Bemis. The shareholder vote has now passed, and the merged entity should begin trading from early June, after a short delay. Our confidence improved around the rationale for the transaction, the expected synergy benefits, and potential other upside opportunities from the combination following our discussion with senior management last year. The acquisition of Bemis is a strategically significant move by AMC as it gives the group a diversified global footprint across Flexible and Rigid Plastics.

ANZ Banking Group (ANZ, +2.50%) – contributed to portfolio returns during April, after delivering a solid result driven mostly by very low impairment charges and a positive market reaction to the Federal election. The key positives from the election result were: (a) no change to the negative gearing rules, which may attract investors back to the market; and (b) a view that the Federal government may be more conciliatory to the banks after the Royal Commission issues are dealt with. ANZ remains our preferred major bank given the de-risking of the balance sheet which has taken place over the past few years, the strong capital position, the sharp focus on costs, and the controlled growth in the domestic mortgage market in the current economic environment. At an industry level, the major banks face slowing credit growth and rising costs from the Royal Commission, which means a keen focus on cost management will be critical in coming periods.

Key detractors

Key detractors	Positioning
James Hardie Industries	Overweight
Regis Resources	Overweight
CYBG Plc	Overweight

James Hardie Industries (JHX, -4.88%) – underperformed the market during May as investors became more cautious in the lead up to the company's Q4 result. Increased confidence in both management and the outlook for the US housing market drove the outperformance in prior months.

Pleasingly, the Q4 result confirmed our positive thesis and we continue to expect the company to deliver robust growth and increase capital returns, enabling further investment in core operations or, alternatively, increasing distributions to shareholders. Confidence in the US housing outlook is supported by improving housing affordability leading to a recovery in home approvals and sales. We believe there is a long-term opportunity for JHX in this market as housing formation is still running well below long-term trends. Further, we are attracted to the company's long-dated growth option in Europe.

Regis Resources (RRL, -7.10%) – underperformed the market in May. RRL is on track to deliver its FY19 annual production at the mid-to-upper end of the guidance range of 340,000 – 370,000 oz. The permitting of McPhillamys continues to take longer to progress than anticipated. Consequently, first gold from the McPhillamys open pit gold mine development is now unlikely prior to FY22, with capital costs also likely at or above the higher end of initial company guidance. RRL is expected to provide a reserve update in mid-2019 for the nearby Discovery Ridge satellite that has potential to add value to McPhillamys. Steve Scudamore (CA) will join the company as a non-executive director in place of retiring non-executive director, Ross Kestel.

CYBG Plc (CYB, -12.34%) – underperformed the market during the month as the political situation in the UK continued to deteriorate as the players attempted to reach an agreement on Brexit and global yield curves flattened substantially. The company delivered a good set of 1H19 results during the month, underpinned by stronger revenue trends. We made an initial investment in the company as it offered attractive value given the synergy benefits and medium-term growth opportunities presented to it via the merger with Virgin Money. The key assumptions that drove us to make the investment in the stock were that a resolution to Brexit would be reached (whether that was a soft or hard Brexit) and central banks were doing what was required to stimulate growth again. However, as we have seen with LNK, decisions by business are just being put on hold whilst Brexit negotiations are completed, and this has been pushed out until at least October. As such, we think this continued uncertainty will be a negative for UK growth. Further, the flattening of the yield curve we have seen in the past month, which is a negative for a bank like CYB, has further to run as central banks appear to have quite a bit more work to do in the face of the China-US trade war and slowing European growth. Given the change in outlook, we have elected to dispose of the position despite the good underlying result. We will continue to monitor the stock with a view to acquiring a position as the air clears around Brexit and UK growth.

Portfolio changes

Key additions and material adjustments

Bought
Ramsay Healthcare (RHC)

Ramsay Healthcare (RHC) was added to the portfolio in May due to our view that a Liberal leadership will support the private health care industry as well as evidence that offshore markets including France and the UK are showing signs of stabilisation. We are of the view that current management will continue to drive growth from a strong set of assets and global demographic tailwinds.

Key disposals and material adjustments

Sold
Regis Resources (RRL)

We have exited Regis Resources (RRL) as we forecast a weak production growth outlook and have concerns with respect to the timing and cost of the McPhillamys open pit gold mine development.

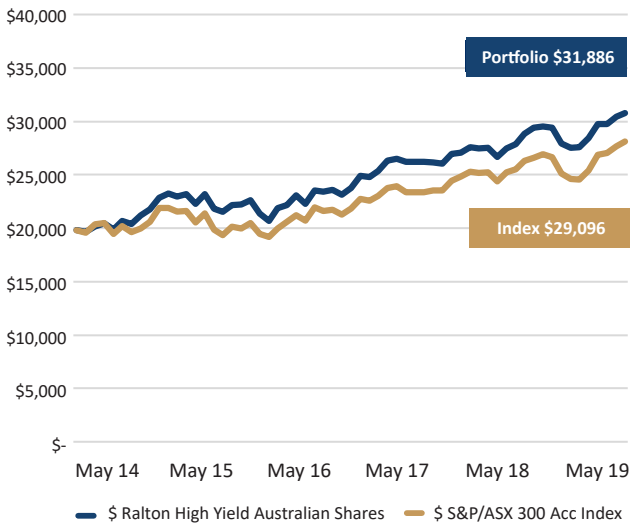
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	12.7%	6.6%	6.1%
Financials	36.8%	31.5%	5.3%
Materials	21.7%	18.5%	3.3%
Utilities	3.8%	1.9%	1.9%
Energy	6.6%	5.3%	1.3%
Consumer Staples	5.3%	5.5%	-0.1%
Telecommunication Services	3.3%	3.9%	-0.7%
Information Technology	0.0%	2.4%	-2.4%
Health Care	5.6%	8.5%	-2.9%
Real Estate	4.3%	7.7%	-3.4%
Industrials	0.0%	8.2%	-8.2%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
ANZ Banking Grp Ltd	ANZ
Commonwealth Bank	CBA
Westpac Banking Corp	WBC
BHP Group Limited	BHP
Amcor Limited	AMC
Aristocrat Leisure	ALL
Suncorp Group Ltd	SUN
Vicinity Centres	VCX
Woodside Petroleum	WPL
Spark Infrastructure	SKI

Performance comparison of $20,000*



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Performance of the Ralton Dividend Builder Portfolio (Ralton Wholesale High Yield Australian Shares Model Portfolio) is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. The total return performance figures quoted are historical and do not allow the effects of income tax or inflation. Total returns assume the reinvestment of all portfolio income. Past performance is not a reliable indicator of future performance.

*The performance comparison of $20,000 over 5 years is for illustrative purposes only. Performance is calculated on a gross basis. Actual performance will vary depending on the amount of fees charged by the relevant platform that a client uses to implement the portfolio. The comparison with the S&P/ASX 300 Accumulation Index is for comparative purposes only. Index returns do not allow for transaction, management, operational or tax costs. An index is not managed and investors cannot invest directly an in index. There is no guarantee these objectives will be met.

#Portfolio holdings may not be representative of current or future recommendations for the portfolio. The securities listed may not represent all of the recommended portfolio's holdings. Future recommended portfolio holdings may not be profitable.